

“Doing business with
today’s producer
-- an ag business perspective”

-- John D. Johnson
President & CEO
CHS Cooperatives



Key forces driving change

- Global competition
- Consolidation/integration
- Technology
- Government programs



First -- Meet the competition



A new global benchmark?

Who is today's U.S. producer?

Today -- 2.2 million producers total...but
8% (176,000) produce 75% of
commodities.

The future? Fewer than 70,000 producers
may produce 85% of commodities.



More consolidation to come?

*When was the last time a
producer purchased a
smaller tractor?*



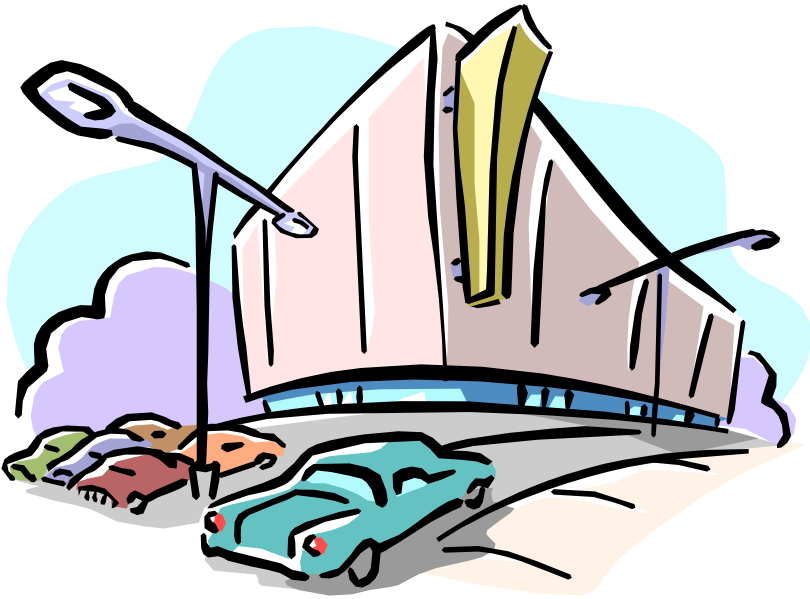
Tomorrow's producers

- Commercial producer
- Large commercial producer
- Professional farm management

Today, 10% of farm operators influence
65 percent of land -- and growing!!

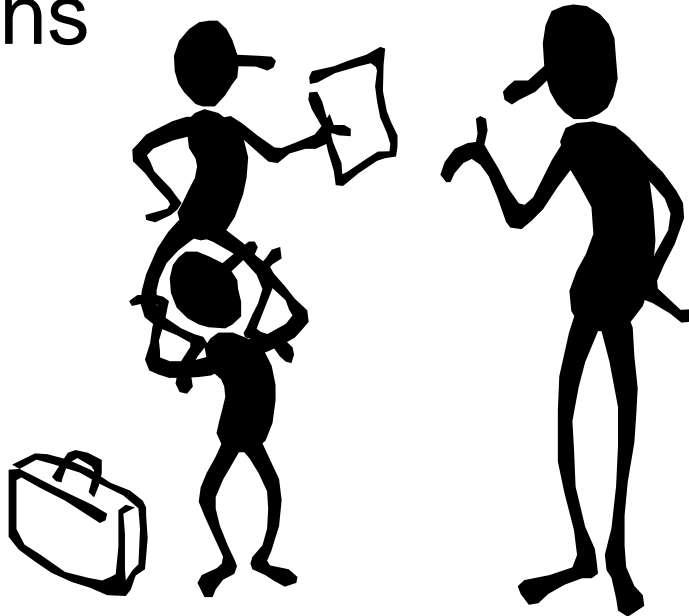
How will this affect ag retailers?

- Today -- 18,000 - 20,000
- Tomorrow -- Fewer than 10,000



What does the producer of the future want?

- Unique relationships
- Unique solutions



Producers and ag business -- A new relationship

Business to business

vs.

Business to consumer



The “Walmartization” of ag business

Business decisions based on:

- Cost
- Value
- Efficiencies
- Consistency

Emerging business models

- Market segmentation
- Bundled offerings
- Supply chain management
- Financial and risk management services

How does it add up?

Fewer suppliers + reduced markets
x fewer producers

= an Environment of Interdependency

No longer a buy/sell relationship.

How can we move ahead?

- Face future challenges
- Create opportunities
- Have a need and willingness to change

In conclusion...

Future success will be based on the ability to create success on both sides beyond traditional buying and selling.

